

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KING STONE ENERGY GROUP LIMITED

金山能源集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00663)

DISCLOSEABLE TRANSACTION: DISPOSAL OF 19.5% EQUITY INTERESTS IN AN ASSOCIATE

THE DISPOSAL

The Board is pleased to announce that on 24 March 2020 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Disposal Agreement, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to acquire, the Sale Interests at the cash consideration of RMB39,000,000 (equivalent to approximately HK\$43,290,000) in accordance with the terms and conditions of the Disposal Agreement.

Upon completion of the Disposal, the Target Company shall cease to have any equity interests in the Target Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement is more than 5% but less than 25%, the Disposal Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 24 March 2020 (after trading hours), the Vendor, the Purchaser and the Target Company entered into the Disposal Agreement, pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire, the Sale Interests at the cash consideration of RMB39,000,000 (equivalent to approximately HK\$43,290,000) in accordance with the terms and conditions of the Disposal Agreement.

THE DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are set out below:

Date: 24 March 2020

Parties: (i) The Vendor;
(ii) The Purchaser; and
(iii) The Target Company

The Vendor is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners (68% and 32% equity interests of the Purchaser are owned by Mr. Zhang Xiaoding and Mr. Gao Hua respectively) are Independent Third Parties.

Assets to be disposed of

Pursuant to the Disposal Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Interests, representing 19.5% of the entire equity interests in the Target Company. As at the date of this announcement, the Vendor is the legal and beneficial owner of the Sale Interests.

Consideration

The consideration of RMB39,000,000 (equivalent to approximately HK\$43,290,000) shall be paid by the Purchaser in cash to the Vendor after the signing of the Disposal Agreement and in any event no later than 30 June 2020.

The consideration has been arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to, including but not limited to, (i) the paid-up registered capital of the Target Company attributable to the Group; and (ii) the net asset value of the Target Company. Having considered the factors taken into account by the parties in arriving at the consideration, the Directors are of the view that the consideration is fair and reasonable.

Completion

Completion for the Disposal is unconditional and shall take place within 60 business days after the payment date of the consideration, whereupon the Vendor shall register the transfer of the Sale Interests to the name of the Purchaser with the relevant authority in the PRC in accordance with the relevant laws and regulations.

Upon completion of the Disposal, the Target Company shall cease to have any equity interests in the Target Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC in August 2018 and is principally engaged in the business of marine engineering and the research and development of marine engineering equipment and technology in the PRC. The Target Company is legally and beneficially owned as to 19.5% by the Group through its capital contribution of RMB39 million (equivalent to approximately HK\$44.4 million) in December 2018. Since its establishment, the Target Company has yet to invest in the fund in deep sea fish farming industry in Hainan Province, the PRC which is the purpose of establishment of the Target Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is a summary of the unaudited financial information of the Target Company, prepared in accordance with the generally accepted accounting principles in the PRC, for the two years ended 31 December 2019:

	For the year ended 31 December 2018 RMB	For the year ended 31 December 2019 RMB
Loss before taxation	(39,130) (equivalent to approximately HK\$(43,434))	(8,773) (equivalent to approximately HK\$(9,738))
Loss after taxation	(39,130) (equivalent to approximately HK\$(43,434))	(8,773) (equivalent to approximately HK\$(9,738))

The unaudited net asset value of the Target Company as at 31 December 2019 was approximately RMB90 million (equivalent to approximately HK\$100 million).

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in exploring and drilling natural gas and oil in the United States of America, silver mining, provision of asset financing service, trading of liquefied natural gas, tourism and photovoltaic power business in the PRC.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Target Company has been loss-making and has yet to invest in the fund in deep sea fish farming industry as intended upon its establishment, the Board considers that it is in the best interest of the Company to recoup its original investment costs, especially in view of the current volatile and complicated political and business environment. The Board is of the view that the Disposal is in line with the business development strategies and planning of the Group to streamline its businesses and increase its overall performance and prospects. The Disposal will enhance the cash position and working capital of the Group, and thus allowing the Group to restructure its strategic business position and focus in pursuing the development of its core businesses.

On the basis of the foregoing, the Directors are of the view that the terms of the Disposal Agreement and the transactions contemplated thereunder, which have been agreed after arm's length negotiations, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Immediately after completion of the Disposal, the Target Company will cease have any equity interests in the Target Company.

It is expected that the Group will recognise a gain in its consolidated income statement of approximately HK\$2.7 million arising from the Disposal, which is calculated as the difference between the consideration of approximately HK\$43.3 million and the unaudited carrying amount of the investment in the Target Company of approximately HK\$40.6 million as at 31 December 2019. Subject to audit, the actual amount of gain on Disposal to be recognised by the Group will be based on the actual carrying value of the Target Company as at the date of completion of the Disposal and therefore may vary from the amount mentioned above.

The sales proceeds (after deducting relevant costs and expenses in connection with the Disposal) will be applied for general working capital of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Disposal Agreement is more than 5% but less than 25%, the Disposal Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Rule 14.07 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the same following meanings as set out below:

“Board”	the board of Directors
“Company”	King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 663)
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests in the Target Company by the Vendor to the Purchaser in accordance with the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 24 March 2020 and entered into among the Purchaser, the Target Company and the Vendor in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) not connected with the Company and its connected persons within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	雲泰時代(北京)科貿有限公司 (Yuntai Shidai (Beijing) Technology & Trade Co., Ltd.*), a company established in the PRC and an Independent Third Party
“Sale Interests”	19.5% of the equity interests in the Target Company owned by the Vendor immediately prior to the completion of the Disposal
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	海南深耕海洋發展有限公司 (Hainan Shengeng Ocean Development Co., Ltd.*), a company established in the PRC which is owned as to 19.5% by the Vendor immediately prior to the completion of the Disposal
“Vendor”	珠海金維環保科技有限公司 (Zhuhai Jinwei Environmental Technology Co., Ltd.*), a company established in the PRC and an indirectly wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
King Stone Energy Group Limited
Zong Hao
Executive Director

Hong Kong, 24 March 2020

The English transliteration of the Chinese name(s) in this announcement, where indicated with “”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese names.*

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.11. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

As at the date of this announcement, the executive Directors are Mr. Xu Zhuliang, Mr. Zong Hao, Mr. Benjamin Clark Danielson and Ms. He Qing, and the independent non-executive Directors are Mr. Chiu Sui Keung, Mr. Lee Ping and Mr. Lee Kwok Wan.